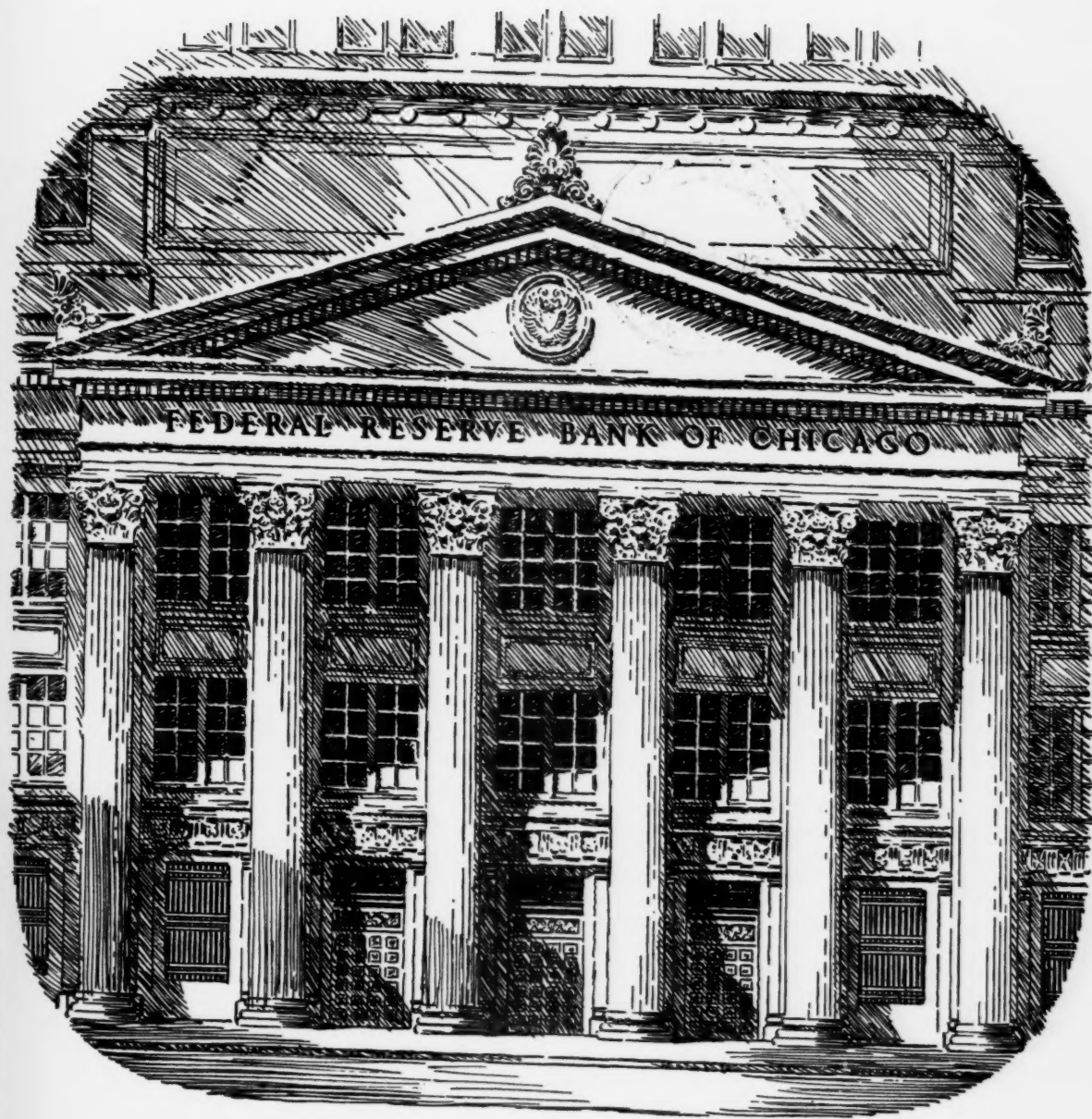


# BUSINESS CONDITIONS



Prepared by the  
Research and Statistics Department  
of the  
Federal Reserve Bank of Chicago

## Monthly Review of Business Conditions in the Seventh Federal Reserve District

### DISTRICT SUMMARY

**T**HE trend of industrial production in the Seventh district was generally downward during April and, with few indications of improving demand, May output will probably show no expansion. Building construction furnished an important exception to the downward trend, as activity in that industry continued to rise in April. In most phases of production the level of output and incoming business remained considerably higher than in the same 1938 period when few signs of improvement could be noted. Department store trade in April aggregated less than in March, but business in the retail shoe and furniture trades rose further. The majority of wholesale trade groups had smaller sales in the period than a month previous.

#### INDUSTRY

**D**ECLINING demand effected a reduction in operations of steel mills in the Chicago district during April and into May. Lack of buying by the automotive industry was to a great extent responsible for this decline, although recent price concessions on items sold to that industry have produced some increase in business. As sales leveled off in April, the manufacture of 1939 model automobiles fell moderately below the March volume and rather sharp curtailment in production took place in the early part of May. Shipments from steel and malleable casting foundries of the district were lighter in April than a month previous, as were those from the majority of stove and furnace factories. A more than seasonal decline was recorded in output of furniture manufacturers, and activity in the paper industry diminished. On the other hand, building contracts awarded in this area rose 18 per cent over March, chiefly because of increased public works construction. The movement of building materials expanded less than seasonally.

Employment and payroll volumes recorded a slight non-seasonal decline between mid-March and mid-April, but increases over a year ago were larger than a month previous.

#### TRADE

**B**ECAUSE of a decrease in Chicago, total April sales of Seventh district department stores were 2 per cent smaller in April than in the preceding month. They remained,

however, 3 per cent above the corresponding 1938 volume and, with fewer trading days in the current period, daily average sales were 5 per cent larger than in March and 6 per cent above last year. In the first two weeks of May, sales were running 10 per cent ahead of the 1938 period. Both the retail shoe and furniture trades recorded further expansion during April, although sales of shoes totaled under a year ago. The majority of reporting wholesale trade groups had smaller sales than a month earlier, but the aggregate volume sold was only slightly less.

#### AGRICULTURE

**T**HE production and sale of packing-house commodities fell off in April from March, but the manufacture and distribution of dairy products increased. Similarly, the meat tonnage sold was slightly under a year ago, while the sale of dairy products showed an increase; production of packing-house commodities exceeded that for last April, and the manufacture of butter and of Wisconsin cheese was smaller than at that time. Wheat receipts at interior primary markets gained nonseasonally during April, but reshipments failed to expand. The corn movement remained well below average. By mid-May, farm work was making rapid progress; however, vegetation was developing less than seasonally because of inadequate rainfall.

#### CREDIT

**F**UNDS gained through commercial and financial transactions with other districts raised Seventh district member bank reserve balances \$31 million between April 19 and May 17. Total loans and investments of weekly reporting member banks in the district were up 36 millions on May 17 over four weeks earlier. The increase in loans was only slight, but they were above the year-ago level for the first time in fourteen months. The increase in investments was due chiefly to purchases by the banks of Treasury notes and bills, which exceeded the banks' sales of Government bonds. Both demand and time deposits in these banks rose in the four-week period.

### Manufacturing

#### IRON AND STEEL PRODUCTS

**W**ITH continued declining demand, operations of Chicago district steel mills have been further reduced. At 45½ per cent of capacity in mid-May, the rate of steel ingot output in this area was down 12½ points from the peak reached early in March and 8 points under that prevailing around the middle of April; it remained, however, well above the low level of a year ago. Lack of buying by the automotive industry contributed in large measure to this declining trend, as it appeared that purchases for the 1939 model season had practically terminated. Orders from miscellaneous users of steel, the construction industry, tractor plants, and the railroads constituted the chief sources of demand through April and into May.

A recent important development in the steel industry has been the price concessions made on sheets and strip. These were inaugurated in early May, primarily in the Detroit area, and at first amounted to \$4 per ton, with a \$3 per ton quantity deduction also being given. However, within a few days

concessions were being made over a wider area and of as much as \$8 per ton plus the quantity deduction. Steel companies later withdrew these low quotations. It is difficult to estimate the volume of purchases negotiated under the price reductions, but reports indicate that it was considerable, and consequently a resumption of buying is not expected for the next several months. On May 15, one of the principal producers of steel in this district reaffirmed its present prices for third-quarter shipment, but discontinued quantity deductions and instead made reductions of \$3 per ton on sheets and strip and \$2 on bars; these adjustments practically offset each other.

\* \* \*

In general, trends prevailing during April at steel and malleable casting foundries of the Seventh district were the reverse of those recorded in March: output from steel casting foundries declined, whereas it had expanded in the preceding month; and orders for malleable castings increased following a decrease in March, while output fell off after rising a month previous. However, as compared with the low volumes of a year ago, incoming business, shipments, and production at both types of foundries were substan-

tially heavier in the current period. April shipments of steel castings about equaled new orders, and production was greater than either. On the other hand, output of malleable castings totaled slightly under orders booked, and the tonnage produced failed to equal these volumes.

#### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	April 1939 Per Cent Change from	
	March 1939	April 1938
<b>Steel Castings:</b>		
Orders booked (tons).....	-1.9	+197.3
Orders booked (dollars).....	-2.4	+139.3
Shipments (tons).....	-7.5	+74.5
Shipments (dollars).....	-8.7	+50.7
Production (tons).....	+1.5	+63.9
<b>Malleable Castings:</b>		
Orders booked (tons).....	+11.6	+77.2
Orders booked (dollars).....	+7.6	+59.7
Shipments (tons).....	-21.5	+52.0
Shipments (dollars).....	-19.4	+43.2
Production (tons).....	-19.5	+55.6

Shipments of Seventh district stove and furnace factories, after having expanded considerably in the two preceding months, rose only slightly further in April—by 3 per cent—and operations diminished 4 per cent. The volume of orders accepted also was smaller in the period than in March, the decrease amounting to 12 per cent. As compared with April last year, shipments were heavier in the current month by only 12 per cent, but incoming business showed a gain of almost 30 per cent and production was one third larger. Although stocks increased slightly between March 31 and the close of April, they remained on the latter date moderately under those of a year earlier.

#### THE AUTOMOBILE INDUSTRY

THE number of automobiles produced during April in the United States showed a moderate recession in the aggregate from the preceding month, although the peak of the spring production season usually falls in April. However, weekly output compared favorably with March and the volume continued to exceed that of a year ago by a wide margin. The manufacture of passenger cars in April numbered 273,409 and that of trucks 63,963, or 8 and 12 per cent less, respectively, than a month earlier. In the comparison with last April, passenger car production increased 55 per cent and truck output 48 per cent. At the end of April, manufacturers began to curtail schedules rather sharply and indications are that in some cases production of 1939 models is approaching an end. For the year to date, output has exceeded retail sales to a considerable extent, so that most dealers are well supplied with cars and field stocks have reached a level moderately above that of a year ago.

In the Seventh district, distribution of new automobiles at wholesale fell off sharply in April and sales at retail by reporting dealers were somewhat less—6 per cent—than in March. As compared with last April, wholesale distribution was 60 per cent heavier in the month this year, while retail sales numbered about 25 per cent greater. These increases were noticeably smaller than in the yearly comparison for March. Stocks rose 4 per cent in number over a month previous and were 40 per cent larger than at the close of April 1938. Used-car sales also recorded some decline in number during April—8 per cent—though exceeding those of a year ago by 21 per cent. Salable stocks of such cars increased 4 per cent during the period but numbered 8 per cent under the volume on hand a year earlier. In the States of Illinois, Indiana, and Michigan, new-car registrations in April were not only considerably heavier than in the same 1938 month but moderately above those of March.

#### OTHER MANUFACTURING

##### Furniture

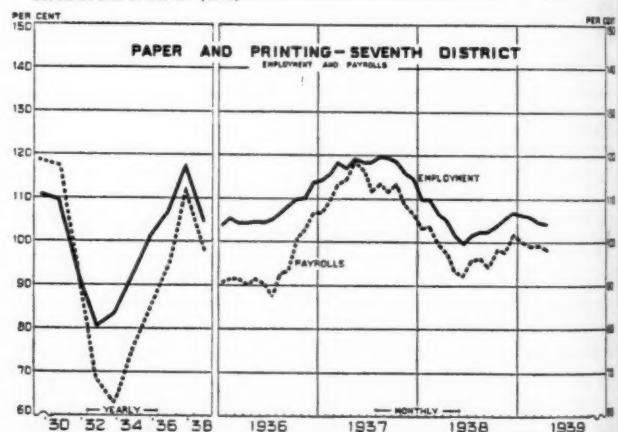
THE decline of 24 per cent during April from March in new business booked by Seventh district furniture manufacturers was noticeably greater than seasonal and followed upon a less than customary increase in March. Furthermore, the favorable margin of gain over a year ago was narrowed to 5 per cent from 15 per cent a month previous, and the volume booked totaled 8 per cent below the ten-year average for the period, which represents the first decline in this latter comparison since September last year. Shipments, also, showed a more than seasonal recession in April—15 per cent as compared with only 9 per cent in the 1929-38 April average. However, they exceeded those of the 1938 month by 21 per cent and continued to total above the average by 7 per cent. For the cumulative period of this year through April, orders and shipments aggregated approximately 16 per cent heavier than in the same four months last year. Unfilled orders were reduced 25 per cent between March 31 and the close of April but were 23 per cent larger than on April 30 last year; their ratio to incoming business declined slightly in the period but was considerably above that for the 1938 month. Factory operations were curtailed somewhat in April to 68 per cent of capacity, or 5 points under the March rate though 13 points above a year ago.

##### Paper and Pulp

AFTER sizable gains in March, activity at paper and pulp mills located in the Seventh district declined rather generally during April, but comparisons with 1938 levels continued for the most part favorable.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	April 1939 Per Cent Change from	
	March 1939	April 1938
<b>Paper:</b>		
Orders booked (tons).....	-10.0	+18.9
Orders booked (dollars).....	-8.0	+11.1
Shipments (tons).....	-9.3	+8.1
Shipments (dollars).....	-12.2	+8.1
Production (tons).....	-14.0	+1.1
Stocks at end of month (tons).....	+12.2	-3.7
<b>Pulp:</b>		
Production (tons).....	-4.8	+10.1
Stock at end of month (tons).....	-0.0	-29.3



Index numbers of employment and payrolls in the paper and printing industry of the Seventh district, 1923-1925 average = 100. By years, 1929 through 1938; by months, January 1936 through April 1939.

#### The Building Industry

CONTRACTS awarded for residential and non-residential buildings in the Seventh district registered only minor gains in valuation during April from a month earlier.

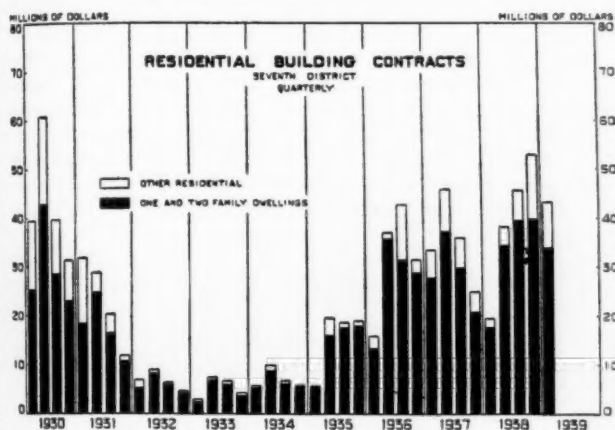


Awards for public works projects, however, increased substantially, not only offsetting a loss in public utility construction but contributing largely to the gain in aggregate awards for the month. About two fifths of the total awards were financed through public funds, this ratio being about the same as a month earlier but somewhat lower than the average for the year to date. Although residential building as a whole showed only a slight increase over March, single-family dwellings intended for the owner's occupancy increased sharply in contrast to other forms of residences, especially apartment buildings. The value of contracts awarded for commercial and industrial buildings was practically the same as in March and continued to constitute about 45 per cent of total non-residential construction.

#### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
April 1939	\$51,858,000	\$18,470,000
Change from March 1939	+17.7%	+2.1%
Change from April 1938	+42.6%	+76.0%
First four months of 1939	\$170,171,000	\$58,870,000
Change from same period of 1938	+60.1%	+106.2%

\*Data furnished by F. W. Dodge Corporation.



Data furnished by F. W. Dodge Corporation for the Chicago and Southern Michigan territories which closely approximate the Seventh district area. By quarter-yearly periods, 1930 through first quarter of 1939.

The demand for building materials expanded somewhat less than seasonally in April. Lumber sales declined at wholesale, counter to the usual trend, and increased less than is usual at retail. Increases in cement shipments were considerably smaller than seasonal, and brick deliveries fell off in the Chicago area, though registering gains in other sections of the district. Yearly comparisons continued generally favorable. Wholesale prices of building materials, as computed by the United States Bureau of Labor Statistics for the first week of May, were about 1½ per cent lower than a year ago and fractionally under those of a month earlier.

## Fuel Industries

### COAL MINING

AS the labor difficulties curtailing bituminous coal mining in the Appalachian fields did not materially affect activity in Illinois and Indiana mines until early in May, production figures for these two States made a relatively

much better showing in April than did the national total. The seasonal trend between March and April normally shows a decline of about one fifth, but United States bituminous coal production was off by two thirds. As deliveries from the Pennsylvania and West Virginia fields were drastically reduced, a part of the normal demand was deflected to this area, with the result that comparatively minor declines were recorded in the April-March comparison for Illinois and Indiana production, in the face of seasonal factors which generally dictate a decrease sharper than that for the country as a whole. Soft coal mined in these fields during the first three months of the year had been in volume one fourth greater than in the first quarter of 1938, but for the month of April this favorable margin widened to 60 per cent.

## PETROLEUM REFINING

CRUDE runs to stills in the Indiana, Illinois, and Kentucky district declined slightly during April from March, but continued well above the 1938 level. For the United States as a whole, average runs were higher than in the preceding month and, though above last year, failed to show as sharp an increase in this comparison as did activity in this area. During the first quarter of the year, gasoline production for the entire country ran about 5 per cent ahead of the comparable year-ago period, whereas for the Indiana, Illinois, and Kentucky district, the favorable spread was twice this percentage. The "gasoline war" in Chicago over retail prices was reported as about terminated by the middle of May, with service station prices generally up 2 cents per gallon.

## Industrial Employment Conditions

EMPLOYMENT and payrolls in Seventh district industries registered a slight decline for April, the losses in each item amounting to less than one-half of one per cent. This was contrary to the average March to April trend which for the ten preceding years shows a stationary volume of employment and a rise of 2 per cent in the amount of wage payments. The declines in the current month were considerably smaller, however, than took place in the 1938 period

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of April 15, 1939			Change from March 15, 1939	
	Reporting Firms	Wage Earners	Earnings (\$ '000 Omitted)	Wage Earners	Earnings
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup>	1,793	389,094	10,782	-0.3	-0.7
Vehicles	388	331,188	10,690	-0.6	+2.7
Stone, Clay, and Glass	287	24,593	568	+5.0	+1.7
Wood Products	484	41,265	862	-1.4	-1.5
Total	2,942	786,140	22,902	-0.3	+0.9
<b>NON-DURABLE GOODS:</b>					
Textiles and Products	408	66,248	1,226	-1.9	-6.3
Food and Products	1,031	96,890	2,510	-0.3	-1.7
Chemical Products	301	37,995	1,178	-0.3	+1.9
Leather Products	169	25,036	503	-3.2	-8.2
Rubber Products	36	17,452	437	-5.6	-11.8
Paper and Printing	733	73,918	2,097	-0.2	-0.9
Total	2,678	316,729	7,951	-1.1	-2.8
Total Mfg., 10 Groups	5,620	1,102,869	30,853	-0.6	-0.1
<b>Merchandising<sup>2</sup></b>	5,615	138,293	3,054	+1.5	+1.9
Public Utilities	1,125	100,417	3,318	-0.0	-0.0
Coal Mining	81	15,952	317	-15.0	-32.4
Construction	784	9,523	274	+15.1	+18.7
Total Non-Mfg., 4 Groups	7,605	264,185	6,963	+0.2	-0.8
Total, 14 Groups	13,225	1,367,054	37,816	-0.4	-0.2

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana and Wisconsin.

and, as a result, the favorable margin over a year ago widened to 9 per cent in number of workers employed and to 18 per cent in wage payments. Continued seasonal increases in the stone-clay-and-glass products industries, together with higher payrolls in the vehicles group, served to offset most of the losses recorded in the durable goods classification. Non-durable goods industries declined generally, all groups showing curtailment in employment and all but chemicals a decrease in wage payments. The sharpest declines were those affecting textiles, leather, and rubber products. Reporting industries outside the manufacturing groups maintained their employment volume at the level of a month earlier but had slightly lower wage payments. In coal mining, the decreases recorded in employment and payrolls were largely seasonal. Public utilities had about the same number of workers and amount of wage payments as in March, while the merchandising and construction industries registered substantial increases in these items. Longer working hours in a number of the reporting groups accounted for a more favorable change in wage payments than in employment. Likewise, where wage payments declined more sharply than employment, as in the case of the coal-mining industry, it was generally the result of a curtailment in operating schedules rather than of any change in the prevailing scale of wage rates.

## Merchandising

### RETAIL TRADE

**A**PRIL department store sales in the Seventh district totaled slightly less—2 per cent—than in the preceding month. However, despite the fact that much of the Easter trade fell in April last year, sales in the current period exceeded those in that month by 3 per cent and for 1939 to date remained 2 per cent above the corresponding 1938 period. Furthermore, with one and one-half fewer trading days than in March and one less than a year ago, daily average sales for April increased 5 and 6 per cent over a month and year earlier, respectively. It will be noted in the table that Chicago alone of the larger cities in the district recorded a decline from last April; and it likewise furnished the one exception among them in the monthly comparison, department store sales in that city registering a 6 per cent recession from the preceding period and effecting the decrease in the aggregate for the district. Trade in Detroit has shown the greatest gain in recent months as compared with a year ago. Continued improvement over the unfavorable trend prevailing at the time in 1938 took place during the first half of May, as sales in the two weeks ended May 13 totaled 10 per cent above those in the same period a year earlier, with Detroit again being responsible for the size

of the increase. There was a small rise of one per cent in inventories between the end of March and the close of April, but they remained lighter by 4 per cent than a year ago, and April turnover was slightly greater than in the 1938 month.

\* \* \*

Following a much greater than customary rise in March, the retail shoe trade continued to record expansion in April. Sales of shoes by reporting dealers and department stores exceeded those of the preceding month by 9 per cent, with department stores showing only a slight increase in the aggregate of such sales and dealers registering a considerable gain. As compared with a year ago, however, sales totaled 7 per cent smaller in the current period, whereas in March they had been 11 per cent greater than in the corresponding 1938 month. For the first four months of 1939, the retail shoe business was one per cent in excess of the same period last year. At the end of April, inventories aggregated 2 per cent less than a month previous and one per cent under a year ago.

\* \* \*

Sales of furniture and housefurnishings, according to reports of dealers and department stores, rose 11 per cent in April over the preceding month, or to a slightly greater extent than in March over February. The gain was somewhat less than in the 1929-38 average for the period, but sales totaled 7 per cent above those of a year ago as against an increase of only 3 per cent in the yearly comparison for March. Department store sales of furniture and housefurnishings recorded a gain of 7 per cent over March and of 6 per cent over last April, while dealer trade showed increases of 24 and 8 per cent, respectively. Although stocks were one per cent larger at the close of April than a month previous, they remained below the year-earlier level by 4 per cent.

\* \* \*

### SALES OF INDEPENDENT RETAIL STORES

(As reported by the Department of Commerce)

	Per Cent Change April 1939 from April 1938			
	Illinois	Indiana	Iowa	Wisconsin
Apparel Group.....	-4.3	+4.0	+0.8	-7.0
Drug Stores.....	+3.6	+3.7	+3.5	+0.8
Food Group.....	-5.8	-8.5	-1.8	-7.1
Furniture and Appliances.....	-0.8	+6.7	+9.0	-10.5
Hardware Stores.....	-8.5	-13.4	-18.0	-5.7
Lumber and Building Materials.....	+4.2	+0.4	-17.0	-0.8
Motor Vehicle Dealers.....	+18.7	+49.2	+11.6	+14.3
Total All Groups.....	+0.5	+5.6	+4.3	-2.5

### WHOLESALE TRADE

**A**LARGE majority of Seventh district wholesale trade groups reporting to the United States Department of Commerce had smaller sales volumes in April than a month previous, although the aggregate amount sold declined only one per cent during the period. The drug trade showed the heaviest recession from March—15 per cent. Other declines among the larger groups amounted to 9 per cent in groceries, 3 per cent in paper, and one per cent each in

### DEPARTMENT STORE TRADE IN APRIL 1939

Locality	Per Cent Change April 1939 from April 1938		Per Cent Change First Four Months 1939 from Same Period 1938	Ratio of April Collections to Accounts Outstanding End of March	
	Net Sales	Stocks End of Month		1939	1938
Chicago.....	-1.2	-4.2	-1.8	46.6	45.9
Detroit.....	+11.2	-3.3	+10.1	45.0	40.1
Fort Wayne.....	-2.2	-	-2.0	-	-
Indianapolis.....	+7.6	-6.8	+5.2	38.0	38.3
Milwaukee.....	+1.1	-0.5	+0.7	37.3	37.1
Peoria.....	-5.7	-	-5.1	-	-
Other Cities.....	+2.6	-4.1	+3.3	35.0	33.7
7th District.....	+2.5	-3.8	+1.8	42.0	40.3

\*Include Fort Wayne and Peoria.

### WHOLESALE TRADE IN APRIL 1939\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries and Foods....	-2.6	-4.2	-1.4	-3.8
Hardware.....	+5.3	-4.2	-0.8	+2.0
Drugs & Drug Sundries.....	+5.1	-10.1	+2.4	+9.4
Electrical Goods.....	+21.3	+11.2	+1.2	-3.2
Meats & Meat Products.....	+9.8	+9.5	+17.9	-6.5
Paper & Its Products.....	+4.7	-5.2	+0.7	+2.8
Tobacco & Its Products.....	+2.3	+7.6	+4.8	+4.2
Miscellaneous.....	+4.1	-6.7	-0.9	+1.8

\*Data furnished by Bureau of the Census, United States Department of Commerce.

electrical goods and tobacco and its products; the total for miscellaneous groups recorded a 9 per cent decrease. In the hardware trade a fractional increase took place and sales of meats rose 19 per cent. As compared with last April, total sales of all reporting groups were 5 per cent larger in the current period, and it will be noted in the accompanying table that the grocery business again furnished an exception to this trend. Increases and decreases in inventories between March 31 and the end of April were about evenly divided, the aggregate for all lines showing practically no change over the period. As compared with April 30 last year, stocks totaled 4 per cent smaller.

## Agricultural Products

FARM work in the Seventh Federal Reserve district, which had been considerably behind normal schedule earlier this spring, made rapid progress during the first half of May. Corn planting was 60 to 70 per cent completed in central areas by May 16 and 40 to 60 per cent finished in the southern counties; however, it had just begun in the north. Although the earliest fields of this grain were up to a good stand, germination generally was being considerably hampered by cold and dry condition of the top soil. The preparation of soybean seed beds was about completed by mid-May and some planting had been done. Vegetation in general continued to show less than seasonal development, because of inadequate rainfall. Pastures had furnished but little grazing to May 16; they ranged from poor to only moderately good in condition but were tending to improve. Hay prospects, similarly, continued under a year ago; however, the best alfalfa was about knee high. Oats were rather backward, with stands ranging between fair and good. Barley, likewise, showed relatively poor progress. On the other hand, much of the Seventh district winter wheat had attained a growth of one to two feet by mid-May and some of it was jointing; rye had begun to head in the southern counties. Planting of early potatoes and sugar beets was nearing completion. The frost of May 12 appears to have caused at least minor damage to tender garden truck and early fruits in some northernmost areas, but the prospect for tree fruits in Illinois and Indiana seemed better than had been anticipated earlier in the season. Additional rainfall is needed in almost every section of the district; in some parts of Iowa, even the wells are showing signs of failing.

### CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the Basis of May 1 Condition (In thousands of bushels)

	Five States Including Seventh District			United States		
	Forecast	Final	Average	Forecast	Final	Average
	1939	1938	1928-37	1939	1938	1928-37
Winter Wheat.....	82,320	101,685	84,571	543,928	686,637	500,160
Rye.....	9,701	9,942	7,866	46,704	55,039	36,330

## GRAIN MARKETING

### Wheat

APRIL receipts of wheat at interior primary markets in the United States recorded a nonseasonal gain over March, but reshipments failed to rise in accordance with seasonal expectations. Wheat exports continued in fair volume. Responding to a combination of bullish factors—a revival in demand for wheat by major importing countries, unsettled world political conditions, growing apprehension over the North American crop outlook, as well as prospects for a shorter European crop this year—wheat prices displayed considerable strength. Cash quotations for No. 2 hard

winter wheat at Chicago were up about 7 cents for April and on May 22 were nearly 10 cents higher than the March lows.

### Corn and Oats

THE corn movement during April showed little change from March but continued well below year-ago and average levels. There was a firm trend in corn prices over most of April and further strength in the first three weeks of May; prices for No. 2 yellow corn in cash positions in Chicago were up about 4½ cents from the low points of March. Major factors in the strength in corn were the firmness in wheat, the withholding from the market of large quantities of corn under Government loan, and a scattered export trade coincident with the small Argentine crop. Visible supplies of corn showed a seasonal decline of 19 per cent during the five weeks ended May 20. The oats movement decreased counterseasonally and visible supplies were sharply lowered. Oats prices showed a firm to strong tendency throughout April and the first part of May, but subsequently recorded a moderate decline.

### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	April 1939	March 1939	April 1938	April 1929-38 Avg.
Wheat:				
Receipts.....	16,316	13,755	11,063	12,258
Shipments.....	11,225	11,081	14,052	11,993
Corn:				
Receipts.....	12,460	12,939	29,532	15,518
Shipments.....	8,849	8,658	24,084	12,231
Oats:				
Receipts.....	4,442	5,710	4,313	5,890
Shipments.....	5,808	6,402	8,553	7,285

## MEAT PACKING

THE production and sale of packing-house commodities in the United States decreased in April from a month earlier. Furthermore, the tonnage sold only slightly exceeded current production and there was very little further decline in inventories; stocks of pork and lard were moderately heavier than a year ago, while those of beef were lighter in the comparison. Prices of lard, most pork, and of medium and common veal declined in April from March; those of steer beef eased but quotations for lamb and common quality beef firmed. Payrolls in the industry showed a decline at the close of April from a month earlier of 2 per cent in employees and of ½ per cent each in hours and wage payments. Hours worked and the amount of wage payments exceeded a year ago by about 5 per cent each, and there was also a gain of 3 per cent in number of employees. Production in the first half of May was under that of the corresponding period in 1938.

### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, April 1939.....	166	471	240	92
Federally Inspected Slaughter, United States:				
April 1939.....	677	2,931	1,224	457
March 1939.....	774	3,229	1,473	478
April 1938.....	749	2,462	1,425	502
April 1929-38 average.....	705	3,171	1,358	499

### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended May 20, 1939	April 1939	Months of March 1939	April 1938
Native Beef Steers (average).....	\$ 9.80	\$10.30	\$10.40	\$ 8.65
Fat Cows and Heifers.....	8.45	8.30	8.30	7.50
Calves.....	10.25	9.25	9.75	8.85
Hogs (bulk of sales).....	6.80	6.95	7.45	8.40
Lambs.....	9.30	10.00	9.25	8.45



# MEAT PACKING—UNITED STATES

	March 1939	Per Cent Change in April 1939 from April 1938	April 1929-38 Avg.
Tonnage produced.....	—10.0	+ 5.7	— 4.9
Tonnage sold.....	—11.9	+ 0.6	— 6.9
Dollar sales.....	— 1.9	+ 1.4	+ 3.1
Inventories.....	— 0.2	+ 3.8	—20.1

## Foreign Trade

**S**HIPMENTS of packing-house commodities for export fell off in April from March, largely a reflection of the light demand for lard already landed in the United Kingdom and also because domestic requirements in the United States left available only a limited supply of hams and lard for foreign markets. British demand for hams was relatively good all month; also, some forward sales of lard and other pork products for May and June delivery were made to the United Kingdom. Continental European trade remained negligible. Cuban, Porto Rican, and Latin American demand for animal products from the United States was relatively good during April and at about the same level as in March. Toward the close of the period, English quotations for hams fell below the Chicago parity; those of lard were under the United States basis all month. Inventories of United States packing-house commodities in foreign markets were reduced during the month. Imports of animal products into the United States decreased somewhat in April from March.

## DAIRY PRODUCTS

**T**HE manufacture of creamery butter during April by Seventh district firms showed a seasonal increase of 8 per cent over March but totaled 2 per cent smaller than in April 1938, while April sales of butter by these firms were 3 and one per cent higher, respectively, in the same comparisons. In common with Seventh district trends, butter production in the United States as a whole is estimated at slightly below the 1938 volume for April, although milk production continued at record levels during the month.

## MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1923-25 average = 100						
	Apr. 1939	Mar. 1939	Feb. 1939	Apr. 1938	Mar. 1938	Feb. 1938
<b>Manufacturing Industries:</b>						
Employment.....	83	83	83	74	77	78
Payrolls.....	81	81	80	66	68	68
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	79	85	76	52	51	47
<b>Automobile Production—(U.S.):</b>						
Passenger Cars.....	93	102	82	60	59	48
Trucks.....	170	192	154	115	127	125
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	40	41	39	27	42	30
In Tons.....	31	32	31	18	34	22
Malleable—In Dollars.....	49	61	47	34	37	36
In Tons.....	62	79	63	41	45	43
<b>Stores and Furnaces:</b>						
Shipments.....	134	130	96	119	130	83
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	49	64	63	47	56	53
Shipments in Dollars.....	65	76	60	54	68	52
<b>Building Contracts Awarded:</b>						
Residential.....	63	62	35	36	34	15
Total.....	76	64	56	53	49	25
<b>Meat Packing—(U.S.):</b>						
Production.....	81	90	78	77	81	80
Sales Tonnage.....	81	92	79	81	85	76
Sales in Dollars.....	83	85	85	82	83	84
<b>Department Store Net Sales:</b>						
Chicago.....	81	89	64	82	86	67
Detroit.....	101	102	74	94	87	71
Indianapolis.....	107	105	75	100	97	75
Milwaukee.....	98	97	68	98	95	71
Other Cities.....	84	83	63	82	79	62
Seventh District—Unadjusted.....	88	92	67	87	86	68
Adjusted.....	86	98	84	82	95	85

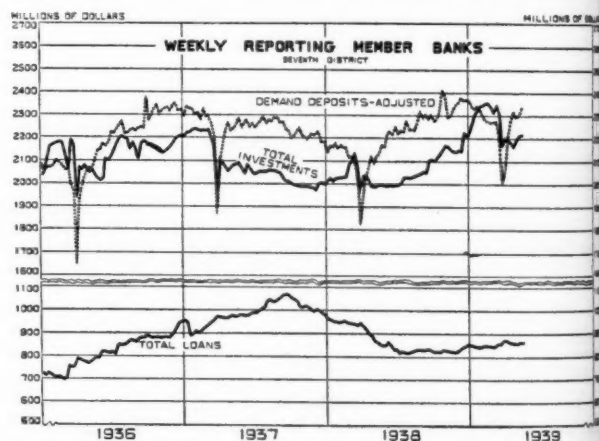
Butter prices this spring have ruled sharply lower since the withdrawal of Government support in March; in the first three weeks of May, however, they were firmer, reflecting a backward production season and improved movement to consumption. Also reflecting a better demand was the nonseasonal decline during April of 8 million pounds in United States cold-storage holdings. May 1 stocks of creamery butter were still the highest on record for the date, but 88 per cent of the supplies were held by Governmental agencies.

April production of American cheese in Wisconsin advanced 9 per cent over March, but was 10 per cent lower than a year ago. Distribution of cheese from the State rose 11 per cent over the preceding month and 3 per cent over April 1938. Production and sales in the first half of May continued these trends. Cold-storage holdings of all varieties of cheese declined more than is usual for April; on May they were below year-earlier levels for the first time since May 1938. Prices of cheese have not fully reflected the weakness in the butter markets this spring, though declining considerably in March and April. In mid-May, cheese quotations at Chicago advanced to the highest levels since January, but then receded moderately in the subsequent week.

## Credit and Finance

### MEMBER BANK RESERVES

**R**ESERVES held at this bank by Seventh district member banks were 31 millions higher on May 17 than four weeks earlier. Net Treasury receipts in the amount of 11 millions, as contrasted with a large excess of disbursement over receipts in the preceding five weeks, only partially counteracted the effect of a gain of 151 millions through interdistrict movements of funds. Currency circulation increased by 3 millions, adversely affecting reserves to that extent. The increase in reserve balances was coincident with expanding deposits at the member banks, which latter raised the amount legally required as a reserve. As a result, while total member bank reserves increased 31 millions, excess reserves rose only 5 millions over the same period.



Wednesday figures for reporting member banks in leading cities of the Seventh district, January 1, 1936, to May 17, 1939.

**D**EMAND deposits adjusted (to exclude Government and inter-bank deposits and items in transit) of Seventh district weekly reporting member banks were 30 million dollars lower on May 17 than at the end of 1938, the first



since April 1 having failed to counteract a steady decline in the three months prior to that date. Total investments increased by about 150 millions between December 28 and mid-February, as Chicago banks enlarged their portfolios of short-term Treasury securities for resale to their customers in connection with the Illinois personal property tax. However, this course of action subsequently reduced holdings below the level prevailing at the start of the year. In the four weeks ended May 17, these banks altered the composition of their portfolios with apparent emphasis on short-term securities, as such holdings had been depleted by an amount greater than the net purchases earlier in the year. Acquisitions of Treasury notes and bills, particularly the latter, exceeded net sales of Government bonds by 25 millions in the current period. The amount of loans has shown little change so far in 1939, though rising in May above the year-ago level for the first time in fourteen months. This favorable comparison, however, reflects a declining trend last year rather than any recent expansion in volume.

During the month of April, earnings of selected Chicago and Detroit banks on total loans and discounts averaged slightly higher than in the preceding month.

## SECURITIES MARKETS

ALTHOUGH trading volume was at a comparatively low level during April and early May, bond prices on the whole were firm over this period. Technical factors, particularly the large volume of banks' excess reserves, have made for continued strength among the high-grade corporates, which on May 19 were fractionally higher than a month earlier. The continued preference of banks in this district is for high-grade bonds of short maturity, but they are reported to have done some buying of long-term liens for trust accounts. Lower-grade prices have followed the stock market in its moderate upswing and by mid-May had recovered about one third of the losses incurred since March 10. The speculative issues advanced more sharply than did the higher grades, which had not suffered any material declines, but the spread between prices of these different types of bonds nevertheless remained much wider than that prevailing two to three months ago. Municipals continued strong, supported among other things by the continued paucity of new issues. Most activity in this field, however, is in the East. Three or four large issues constituted almost all of the amount of new long-term corporate bond financing in April—the largest monthly volume of the current year. One \$25 million utility refunding in the Seventh district accounted for about 17 per cent of the national total. New issues were accorded a satisfactory reception by investors. Opinion in Chicago bond circles indicates that the growing practice of private placement attaches a sort of scarcity value to those issues which are publicly offered, thereby increasing their chances for a favorable reception. The corporate field was left largely to the institutional investors, as most bank buying appeared to be in Governments. This factor apparently was instrumental in the continued price strength of the latter securities which have, with only minor interruptions, moved to successive new high points since the first of the year. Bank demand was also reflected in successively smaller average discounts for the six most recent weekly offerings of Treasury bills. About 318 millions of the \$325 million H.O.L.C. bonds maturing June 1 was refunded early in May by the Treasury. Only 7 per cent of the exchanges took place in this district.

## Selected Seventh District Banking Data

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in thousands)

	May 17, 1939	April 19, 1939	Change from May 18, 1938
Total bills and securities.....	\$ 287,778	\$+18	\$+9,569
Bills discounted.....	123	+19	-102
Bills bought.....	71	0	+3
U. S. Treasury bills.....	53,395	0	-23,000
U. S. Treasury notes.....	131,705	0	+2,828
U. S. Treasury bonds.....	102,027	0	+30,960
Total Government securities.....	287,127	0	+9,888
Total reserves.....	2,289,348	+120,028	+193,104
Member bank reserve deposits.....	1,328,713	+31,162	+114,456
All other deposits.....	220,702	+83,004	+58,911
Federal Reserve notes in circulation.....	991,286	+3,719	+28,331
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	90.0%	+0.5*	+0.4*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	May 17, 1939	April 19, 1939	Change from May 18, 1938
Loans and investments—total.....	\$3,076	\$+36	\$+229
Loans—total.....	863	+2	+12
Commercial, industrial, and agricultural loans.....	501	-7	-6
Open-market paper.....	30	+2	-8
Loans to brokers and dealers in securities.....	39	+6	+9
Other loans for purchasing or carrying securities.....	79	0	+3
Real estate loans.....	101	+2	+12
Loans to banks.....	3	0	-2
Other loans.....	110	-1	+4
U. S. Treasury bills.....	144	+68	
U. S. Treasury notes.....	392	+20	+87
U. S. Treasury bonds.....	923	-33	
Obligations fully guaranteed by U. S. Government	263	+10	+70
Other Securities.....	491	-3	+60
LIABILITIES			
Demand deposits—adjusted*.....	2,337	+52	+208
Time deposits.....	913	+14	+41
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the four weeks ended May 17 was 20.14 times, as compared with 22.95 times in the preceding five weeks and with 19.51 times in the corresponding period of 1938.

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	April 1939	Per Cent of Increase or Decrease from March 1939	April 1938
Chicago.....	\$2,733	-10.9	+ 4.5
Des Moines.....	82	- 9.4	+ 0.7
Detroit.....	821	- 0.4	+18.4
Fort Wayne.....	31	+ 4.0	- 0.4
Grand Rapids.....	48	- 5.4	+ 6.7
Indianapolis.....	186	- 2.9	+ 5.4
Milwaukee.....	234	-15.6	- 6.4
Peoria.....	54	+ 0.2	- 2.3
South Bend.....	39	+ 5.3	+12.2
32 smaller cities.....	456	- 4.6	+ 1.5
Total 41 cities.....	4,694	- 9.1	+ 5.7

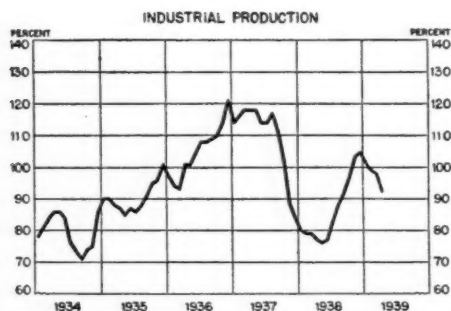
### TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

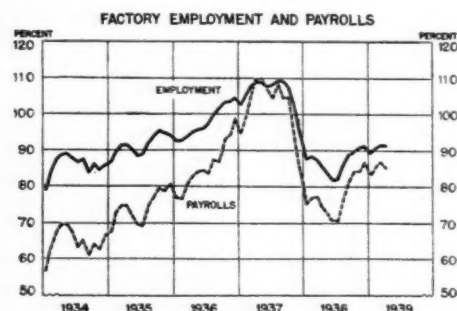
	April 1939	April 1938
Total country and city check clearings:		
Pieces.....	12,224,268	10,815,829
Amount.....	\$2,138,848,277	\$1,854,098,453
Daily average clearings:		
Total items cleared—		
Pieces.....	401,434	415,993
Amount.....	\$86,067,553	\$71,311,479
Items drawn on Chicago—		
Pieces.....	76,690	70,031
Amount.....	\$43,946,000	\$38,396,000
Items drawn on Detroit—		
Pieces.....	18,751	15,789
Amount.....	\$8,532,208	\$6,532,838

# National Summary of Business Conditions

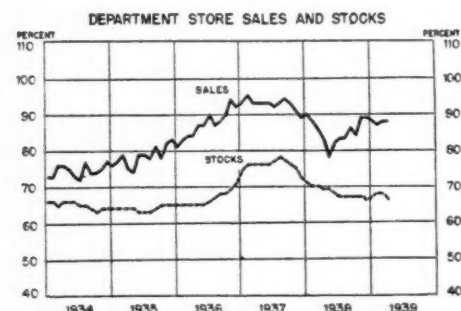
(By the Board of Governors of the Federal Reserve System)



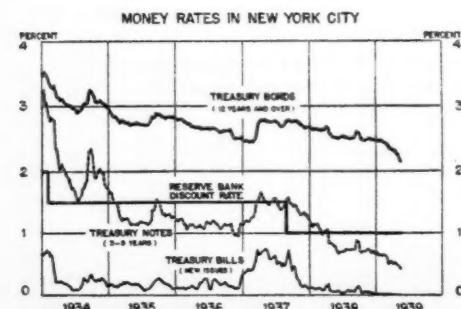
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1939.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1939. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to April 1939.



For weeks ending January 6, 1934, to May 20, 1939.

**V**OLUME of industrial production declined sharply in April reflecting chiefly shutdowns at bituminous coal mines and reduction in activity at textile mills. Retail purchases by consumers were maintained.

## PRODUCTION

**I**N APRIL the Board's seasonally adjusted index of output at factories and mines was at 92 per cent of the 1923-1925 average, compared with 98 in March and 79 a year ago.

In the steel industry production declined in April and the first three weeks of May but in the fourth week ingot output increased to 48½ per cent of capacity about the rate prevailing a month earlier. Around the middle of May substantial concessions were made in prices of some types of steel and it is reported that a considerable volume of orders for steel was placed during this period.

Automobile production in April was at about the same rate as in March although there usually is some increase, and in May output declined owing in part to the fact that stocks of new cars were larger than is usual at this time of the year. Plate glass production decreased sharply in April following smaller declines earlier in the year.

In the lumber industry output increased somewhat in April, while cement production, which had risen sharply in February and March, showed less than the usual increase.

Textile production declined sharply in April, particularly at woolen mills, where output had been at a high level, and in the silk goods industry where further curtailment reflected in part recent high prices for raw silk. Output of shoes showed a decrease from the high level maintained during the first quarter of this year. In flour mills and sugar refineries activity increased further, while in most other durable goods lines changes in output were largely seasonal in character.

Bituminous coal production was in small volume during April and the first half of May as most mines were closed pending settlement of contract negotiations between mine operators and workers. After the middle of May agreements were reached at most mines and output began to increase rapidly. Production of anthracite, which had been reduced in March, increased sharply in April and crude petroleum production rose further. In the first half of May anthracite production was maintained but petroleum output declined somewhat.

Value of construction contracts awarded, according to the F. W. Dodge Corporation, was larger in April than in March, owing chiefly to a rise in awards for public projects. Contracts for private construction showed little change in the aggregate as private residential contracts declined, contrary to seasonal tendency, while contracts for commercial, factory, and other private construction increased. In the first half of May awards for private work increased somewhat while the volume of public contracts declined.

## EMPLOYMENT

**E**MPLOYMENT in nonagricultural pursuits declined somewhat from the middle of March to the middle of April reflecting a sharp drop at bituminous coal mines offset in part by seasonal increases in construction and trade. At factories the number employed showed little change while payrolls declined considerably because of fewer hours of work.

## DISTRIBUTION

**I**N APRIL distribution of commodities to consumers showed about the usual seasonal increase. The Board's adjusted index of department store sales remained at 88 per cent of the 1923-1925 average, about the level that has prevailed since last autumn.

Railroad freight-car loadings declined sharply owing mainly to a reduction in shipments of coal. Loadings of miscellaneous freight showed less than the usual seasonal rise.

## COMMODITY PRICES

**P**RICES of grains and cotton advanced from the middle of April to the third week of May and there were also increases in prices of silk, hides, and bituminous coal. Prices of copper and steel scrap, on the other hand, were reduced and substantial concessions were granted in prices of several leading steel products.

## BANK CREDIT

**T**OTAL loans and investments at reporting member banks in 101 leading cities which had increased in April, declined during the first half of May. The decline was at New York City banks and reflected a reduction in loans to security brokers and dealers and redemption of obligations of New York State and City governments. After increasing substantially in April, demand deposits at banks in leading cities showed little change in the first half of May. Bank reserves increased further in May to a new high level.

## MONEY RATES

Prices of United States Government bonds and notes increased sharply during the last half of April and the first three weeks of May to new high levels. The average yield on long-term Treasury bonds declined from 2.34 per cent on April 12 to 2.13 per cent on May 22. Other money rates showed little change.

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**SEVENTH FEDERAL**



**RESERVE DISTRICT**



